



**Ninety-Seventh Legislature - Second Session - 2002**  
**Committee Statement**  
**LB 1085**

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**Hearing Date:** January 25, 2002

**Committee On:** Revenue

**Introducer(s):** (Revenue Committee)

**Title:** Provide reporting duties for the Property Tax Administrator

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**Roll Call Vote – Final Committee Action:**

Advanced to General File

X Advanced to General File with Amendments

Indefinitely Postponed

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**Vote Results:**

8 Yes                      Senators Coordsen, Dierks, Hartnett, Janssen, Landis, Raikes,  
Redfield and Wickersham

0 No

0 Present, not voting

0 Absent

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**Proponents:**

George Kilpatrick, Legal Counsel  
Catherine Lang

**Representing:**

Committee on Revenue  
Department of Property Assessment & Taxation

**Opponents:**

None

**Representing:**

**Neutral:**

None

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**Summary of purpose and/or changes:**

LB 1085 would amend section 77-1327 which deals with the sales file maintained by the Department of Property Assessment and Taxation to require the PTA to annually issue a study that is in compliance with professionally accepted mass appraisal techniques for determining the value of land subject to special valuation if it cannot be determined with sales assessment ratios. The bill would also clarify that the sales file is used to provide narrative and statistical reports for purposes of statewide equalization by the Tax Equalization and Review Commission.

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## **Explanation of amendments, if any:**

The Committee amendments strike the contents of the bill and replace them with provisions to increase the revenue to the state by about \$90 million for the 2001-03 biennium. As amended by the Committee, the bill would (a) increase the cigarette tax by 20 cents per pack and the tobacco products tax by one-third, to 20% of the wholesale price, (b) expand the sales tax base to repeal certain exemptions for goods and include more services, (c) require companies taking advantage of the bonus depreciation allowed by recent federal tax changes to add 85 percent of the bonus depreciation back on the Nebraska return, and (d) allow a three-year property tax levy exception for schools to allow them to levy the amount of any difference between the certification of aid under LB 898 and what the aid would be without passage of that bill.

### **Section by section summary:**

Section 1 would amend section 77-2602 to increase the cigarette tax from thirty-four cents per pack to fifty-four cents. From July 1, 2002 through June 30, 2016, eighteen cents of the additional tax would be deposited in the General Fund and two cents in the Building Renewal Allocation Fund. Beginning July 1, 2016, the full twenty cents would be deposited in the General Fund.

Section 2 would amend section 77-2702.07, the definition of gross receipts to include a number of services beginning October 1, 2002. Included among those services are cleaning of carpets and draperies, building cleaning and maintenance, pest control, security and landscaping, motor vehicle parking and services, barbering, cosmetology, massage, escort, tattoo services, pet grooming and horse boarding, except for race horses, recreational guide services, personal instruction, such as golf and tennis lessons (except for fine arts instruction), limousine services, photography studio services, and installation and repair labor except for repair of motor vehicles. This section would also terminate the exclusion of installation labor beginning October 1, 2002.

Section 3 would amend section 77-2702.13 to change the definition of retail sale to include the services mentioned above and to exclude a service listed in section 2 that becomes an ingredient or component part of a taxable service. This is the same treatment that goods currently receive.

Section 4 would amend section 77-2702.14 to change the definition of retailer to include persons selling the services mentioned above.

Section 5 would amend section 77-2702.16, the definition of sale for resale to include sales of service. In this way, sales of services for resale would be exempt as is the case for sales of goods.

Section 6 would amend section 77-2702.17 to change the definition of sales price to terminate the exclusion of labor for installing or applying personal property if separated on the bill on October 1, 2002.

Section 7 would amend section 77-2703 to determine when the performance of services shall be deemed to be in this state with regard to the services listed in section 2. Under this section, services to real estate shall be deemed to be in this state if the real estate is located in this state,

services to personal property if the property is located in this state and the service is rendered to property for use in this state, and personal services if the services are rendered in an establishment located in this state.

Section 8 would amend section 77-2704.11, the exception for property sold for delivery outside this state to include installation, application and repair of property for delivery outside the state.

Section 9 would amend section 77-2704.26, the exemption for sales of aircraft for immediate transport for basing outside the state to include an exemption for service to aircraft which will be transported outside the state and be based in another state within ten days after completion of service or repair.

Section 10 would amend section 77-2704.27 to extend the exemption for sales of railroad rolling stock to include services to railroad rolling stock.

Section 11 would amend section 77-2716, dealing with adjustments to income from the federal AGI for individuals or taxable income for corporations or fiduciaries. This change would require taxpayers to add back 85 percent of any bonus depreciation received due to the federal Job Creation and Worker Assistance Act of 2002 for any assets placed in service after September 10, 2001 and before September 11th, 2004. For pass-through entities, the bonus depreciation is to be passed through to the owners or members in the same way that income is passed through and for multi-state corporations subject to unitary reporting, the bonus depreciation is to be apportioned as income is apportioned.

Section 12 would amend section 77-3442, the levy limits, to create a levy exception for schools for fiscal years 2002-03 through 2005-06. The amount of the exception would be the dollar amount of the difference between the state aid certification without the passage of LB 898 and the certification pursuant to LB 898, if it is ultimately enacted. The levy exception may be accessed only with a three-fourths affirmative vote of the school board.

Section 13 would amend section 77-4008 to increase the tobacco products tax from 15 percent of the wholesale price to 20 percent.

Sections 14 provides operative dates of July 1, 2002 for the cigarette tax portions, October 1, 2002 for the sales tax portions, and the usual effective date with the emergency clause for all other portions of the bill.

Sections 15, 16, and 17 would repeal the original sections, and

Section 18 would declare an emergency.

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**Senator William R. Wickersham, Chairperson**